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THE WALL STREET JOURNAL.

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Meet the Other Man Who Bought the Chrysler Building

Rene Benko built a European property empire before becoming owner of iconic New York skyscraper



Rene Benko, founder of Austria's largest privately held real-estate company, at the amfAR Cannes Gala 2019 in May.

PHOTO: GISELA SCHOBER/GETTY IMAGES

By *Konrad Putzier*

July 23, 2019 7:00 am ET

New York property mogul Aby Rosen is the public face of the group that bought Manhattan's famed Chrysler Building. But to get it done, he teamed with the high-school dropout behind a European real-estate empire.

That partner is Rene Benko, 42-year-old founder of Austria's largest privately held real-estate company.

Mr. Benko's Signa Holding GmbH controls property worth an estimated \$9.5 billion, according to research firm Real Capital Analytics. Signa puts the value at closer to \$16 billion.

Born and based in Innsbruck, Austria, Mr. Benko has become a major player in German real estate, too. Signa owns the majority of Germany's largest department-store operator, Galeria Karstadt Kaufhof, and last month agreed to take full ownership. Signa also bought roughly 24% stakes in two Austrian newspapers, Krone and Kurier.

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Mr.
Benko
is
known
for his
busines

s and political connections, and his ties with former Austrian chancellor Sebastian Kurz may have helped with his pursuit of the Chrysler Building.

The property mogul joined then-chancellor Mr. Kurz in May 2018 on a state visit to the United Arab Emirates, where he built relationships with representatives of deep-pocketed investment firms, according to people close to Signa.

One of these firms was the Abu Dhabi Investment Council, then the majority owner of the Chrysler Building. When ADIC decided to sell the property, it contacted Mr. Benko, these people said.

Signa and Mr. Rosen's firm RFR briefly considered converting part of the 1930 office tower into a hotel, but dismissed it as economically unfeasible. Instead, they plan to renovate the tower: adding new windows and upgrading bathrooms, corridors and building systems, and redeveloping the retail space in an effort to make it profitable despite a punishingly high ground rent. The tower's owners don't own the ground beneath the property and pay rent on the land to the Cooper Union school.

"This extraordinary New York City icon fits perfectly into SIGNA's portfolio of historic properties in prime city locations," Mr. Benko said in a statement.

Until his partnership's purchase of the Chrysler Building for \$150 million, Mr. Benko had focused on central Europe, where economic growth and low interest rates helped push commercial property prices to record highs.

"There is no doubt he rode the wave and rode it successfully," said Walid Chammah, former co-president of Morgan Stanley and a member of Signa's advisory board. But, he added, Mr. Benko was smart to focus on cities like Vienna and Berlin, whose property markets rose faster than other European cities, and he has shown a talent for redeveloping properties.

His strategy has risk. Shopping centers in Germany are increasingly struggling with the rise of online retail and rents could fall in the coming years. ‘The structural headwinds around retail are strong in Europe, and they are above average in Germany,’ said Peter Papadakos, a managing director at research firm Green Street Advisors.

A Signa spokesman said that rents at many of its properties are below market average, and that debt accounts for less than 50% of the value of its real estate portfolio.

Born into a middle-class family, Mr. Benko dropped out of high school at 17 and became a real-estate developer. Michael Fuchs, the German-born co-founder of RFR, remembers meeting him at a Munich dinner party in the mid-2000s before Mr. Benko had made a name.



From left: Stella Glaubitz, granddaughter of Guenter Heinlein, Arnold Schwarzenegger and Rene Benko during 2017's Oktoberfest in Munich.

PHOTO: GISELA SCHOBER/GETTY IMAGES

“You could see in his body language that the man is driven,” Mr. Fuchs recalled.

Signa’s backers include some boldface European names, like Ernst Tanner, executive chairman of Swiss chocolatier Lindt & Sprungli, and the late Formula One driver Niki Lauda’s foundation.

Some Signa partners have made headlines for the wrong reasons.

Diamond trader Beny Steinmetz, who helped fund Mr. Benko’s acquisition of a portfolio of Karstadt properties in 2012, was the subject of a criminal investigation in Guinea. The government accused him of corruption over a massive iron-ore reserve in the West

African country. Mr. Steinmetz has denied wrongdoing, and in February the two sides reached a settlement agreement. A spokesman said Mr. Steinmetz and his company have been “cleared of all alleged wrongdoing.”

Falcon Private Bank Ltd., which is embroiled in the 1MDB corruption scandal, has also invested with Mr. Benko, according to Signa’s website. Swiss regulators sanctioned the bank in 2016 for “failing to carry out adequate background checks into transactions and business relationships” with the Malaysian sovereign-wealth fund. Falcon declined to comment.

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Signa said both investors were reputable when they teamed up with the company, and that it “separated immediately from both investors and

bought them out when legal and reputational issues emerged.”

Mr. Benko had his own brush with the law. Following a 2012 tax fraud conviction over alleged attempts to bribe Italian government officials, he no longer holds any executive position at the company and merely serves as the chairman of its advisory board, according to the company’s website.

Mr. Benko’s criminal record has been cleared under Austrian law because enough time has lapsed since his conviction. He declined to comment on the matter.

Some of Mr. Benko’s investors say they don’t hold his partners’ background against him.

“When you quickly want to build a fortune, you can’t wait until a bank...with a good name agrees to work with you,” said Roland Berger, the founder of the global business

consultancy who has invested in Signa. “The banks only come when you’re already rich. Now they’re lining up with him.”

Write to Konrad Putzier at konrad.putzier@wsj.com

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